

MARICOPA COUNTY BOARD OF SUPERVISORS MINUTE BOOK

**INFORMAL SESSION
July 22, 2002**

The Board of Supervisors of Maricopa County, Arizona convened at 9:00 a.m., July 22, 2002 in the Board of Supervisors' Conference Room, Tenth Floor, 301 W. Jefferson, Phoenix, Arizona, with the following members present: Don Stapley, Chairman; Fulton Brock, Vice Chairman (entered late); Andy Kunasek, Max W. Wilson and Mary Rose Wilcox. Also present: Fran McCarroll, Clerk of the Board; Alma Hernandez, Administrative Coordinator; David Smith, County Administrative Officer; and Paul Golab, Deputy County Attorney. Votes of the Members will be recorded as follows: (aye-no-absent-abstain).

PUBLIC HEARING: FISCAL YEAR 2002-2003 BUDGET

Item: A public hearing was convened to discuss the Board of Supervisors FY 2002-2003 Budget by total appropriation for each department or fund in the amount of \$2,374,707,446, including the technical changes, (Expenditures totaling \$2,154,302,114 and Appropriated Beginning Fund Balance of \$220,405,332) which includes a levy of \$277,949,612 from the recommended primary tax rate and a levy of \$19,565,638 from the recommended debt service tax rate. (C49030028) (ADM1801)

Sandi Wilson, Deputy County Administrator, presented the final budget for adoption. Issues such as a low revenue growth, a slow economy, and the continued demand for services particularly in the health systems and criminal justice, have significantly impacted this budget process.

As a result of the conservative fiscal policies established by the Board of Supervisors, Maricopa County was presented with an award from the National Association of Counties for the Voluntary Budget Reduction Program which was instituted in the fall of 2001. Ms. Wilson restated the County's mission: "to provide regional leadership and fiscally responsible, necessary public services to its residents so they can enjoy living in healthy and safe communities."

In January, 2002, Maricopa County received an overall A-minus grade from the Government Performance Project, one of only two counties in the nation to be rated so highly. The County received an Aa-3 bond rating from Moody's Bond Ratings, one of the highest ratings that can be achieved. Also, Maricopa County's long term debt per person is approximately \$3 billion below the legal debt limit, due to the "pay-as-you-go" policy that has been instituted by the Board.

Ms. Wilson explained that the Reserve and Tax Reduction Policy was devised to achieve fiscal stability and low, sustainable tax rates. This is achieved through responsible use of non-recurring resources, appropriate and minimal use of debt, and maintenance of reserve funds.

Ms. Wilson noted that the proposed budget is a structurally balanced one, where recurring expenditures are covered by recurring revenues.

Elliot Pollack, an economist with Pollack & Associates, was invited to discuss economic trends. Mr. Pollack reported that the national economy has slowly begun to recover. However, the economic recovery in Maricopa County has yet to begin, as the local economy is heavily dependent on the high tech industry and tourism, industries slow to recover.

Ms. Wilson reported that Maricopa County is the fastest growing county of all the large counties in the nation with an increase in population of 122,000 new residents since mid-year 2000, and a total population of 3.2 million. With the influx of new residents, the demand for Maricopa County services increases concurrently. Ms. Wilson quoted an April, 2002 *Arizona Republic* newspaper article as stating,

MARICOPA COUNTY BOARD OF SUPERVISORS MINUTE BOOK

**INFORMAL SESSION
July 22, 2002**

“the county faces state-sized demand for needs as varied as roads, affordable housing, schools, parks and social services, needs that most officials agree will require more money than is available.”

Ms. Wilson expressed her appreciation for the constitutional and judicial officers who worked diligently during this tight fiscal year. In addition, the appointed department directors offered a number of reductions and deserve the credit for the structurally balanced budget.

Chris Bradley, Budget Director, reported that Maricopa County's total funding is \$2,464,915,690. Although Maricopa County is the fourth largest county in population in the nation, it barely made the top 12 in the western region in terms of revenue.

The breakdown of revenue sources, from the largest to the smallest, follows. The top four include the associated dollar amounts:

• Patient Revenue	24.24%	or	\$597 million
• Other Intergovernmental & Grants	15.77		\$338 million
• Property Taxes, Penalties & Interest	14.63		\$360.7 million
• State Shared Sales	13.61		\$335 million
• Fund Balances	13.16		
• State Shared Vehicles License Taxes	4.41		
• Sales Taxes	4.35		
• Permits, Fees & Fines	3.71		
• Highway User Revenues	3.16		
• Miscellaneous & Interest	2.96		

Mr. Bradley reviewed the breakdown of how the funds are spent:

• Health, Welfare & Sanitation	44.35%
• Public Safety	32.40
• General Government	16.63
• Highways & Streets	5.38
• Culture & Recreation	1.18
• Education	0.07

The largest expenditure of \$1.1 billion is spent on health, welfare and sanitation services, with approximately \$800 million of that amount expended on the Maricopa Integrated Health Systems and healthcare mandated costs.

Mr. Bradley explained that a critical factor in this year's budget is the impact of the State budget difficulties.

Final State Budget Impacts

ALTCS Contribution – Additional	\$ (5,960,539)
86% Restoration of Competency	(4,000,000)
Mandated Contribution to D.O.C.	(1,312,000)

MARICOPA COUNTY BOARD OF SUPERVISORS MINUTE BOOK

**INFORMAL SESSION
July 22, 2002**

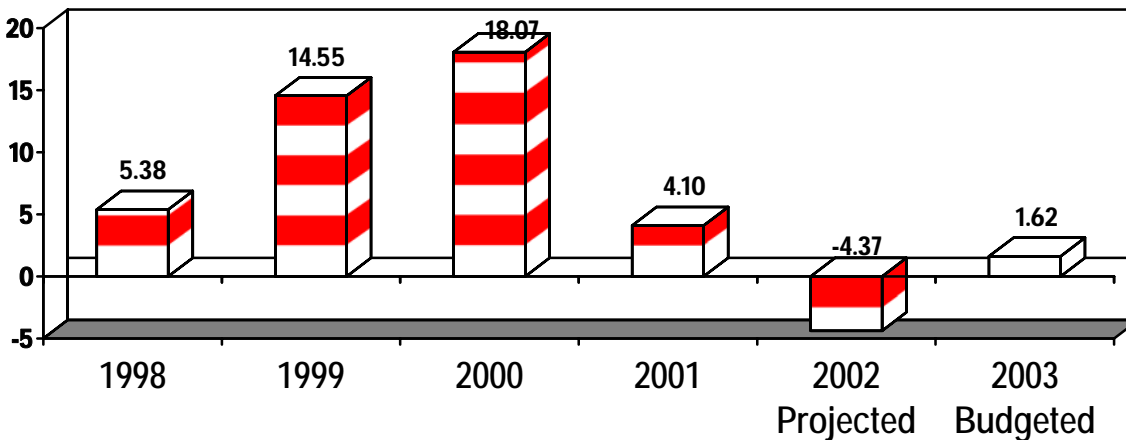
Reduce Adult Probation Funding	(3,188,125)
Reduce State Aid to County Attorneys	(397,784)
Reduce State Aid to Indigent Defense	(377,904)
Reduce State Aid to Courts	(1,044,795)
Reduce JP Salary Reimbursement – 40% to 38.5%	(35,000)
Reduce Public health Grants	(202,493)
Elimination of State Emergency Services/ Restore Disproportionate Share	<u>1,138,800</u>
TOTAL	\$(15,379,840)

Mr. Bradley noted the net \$1.1 million for adjustments between the disproportionate share program and the loss of the State Emergency Service funding. Not included in this list is another potential impact of about \$4 million for increases in the *Arnold v Sarn* IGA payments for treatment of the mentally ill.

Maricopa Integrated Health Systems

Ms. Wilson continued the presentation with a discussion about the Maricopa Integrated Health Systems (MIHS) which consumes the largest amount of the budget with over \$800 million in expenditures.

The following graph denotes MIHS' net income from the 1998 actual to the 2003 budget in millions:



Demand for healthcare services has grown tremendously and Maricopa Medical Center attempts to meet the high need for emergency services with two emergency rooms: one for adults, the other for pediatric services.

General Fund

Mr. Bradley reviewed the primary property tax rate showing Maricopa County's rate below that of any other county in the state. In relation to revenue size, Maricopa County is among the lowest of other large urban counties in the western region.

Issues affecting the General Fund include:

- Absorbing \$5.1 million in health and dental increases,
- \$4.2 million added for costs related to the primary and general elections (with \$1.2 million offset by reimbursement revenue from the State),
- Formula driven increases of \$9.8 million for the Jail Tax Maintenance of Effort, and
- Increases of \$18.5 million for mandated health care.

There was discussion about the mandated contribution to the Arizona Department of Corrections for \$1.3 million, which pays the State to house inmates whose sentences are less than one year. Supervisor Kunasek observed that it is costlier to the County than to the State to house the inmates, and that the County may be better off by paying the mandated contribution versus having the State transfer the inmates to County jails at a greater cost.

Both Supervisors Kunasek and Wilcox expressed concern that the County will experience more cost shifts from the State in the near future.

Mr. Bradley further added that State funding was cut by \$3.8 million. Instrumental in balancing this year's budget were the department's voluntary budget reductions, saving \$9.2 million, while expecting to produce greater efficiencies without reducing services.

Operating budgets for the judicial branch, elected officials, and appointed departments have essentially remained flat. The largest increase in the operating budgets came from state mandated health care costs, which are mainly formula driven.

Chairman Stapley commented that despite having to undertake unprecedented mid-budget cycle adjustments, the department heads and OMB responded tremendously in their effort to manage this difficult budget year.

Detention Fund

Two new detention facilities will open in December, 2002: a Residential Treatment Center and the Sheriff's Central Service Facility. Currently, the adult and juvenile jail facilities are exceeding "hard bed" capacity, with an additional 1,500 inmates housed in temporary "tent" quarters.

Capital Improvement Projects

Due to falling revenues and the economic slowdown, the Board reduced the five-year CIP by almost \$80 million. However, space needs in downtown Phoenix remains high and a reduction in leased space is needed.

Tax Rate Summary

Ms. Wilson reviewed the Reserve and Tax Reduction Policy, which provides the following guidelines to determine if a tax reduction could be considered:

MARICOPA COUNTY BOARD OF SUPERVISORS MINUTE BOOK

**INFORMAL SESSION
July 22, 2002**

- The tax reduction is sustainable for the foreseeable future according to reasonable and conservative forecasts.
- The budget is currently structurally balanced, e.g., recurring revenue exceeds recurring expenditures and will remain so into the future according to reasonable and conservative forecasts.
- Fund balance reserves are sufficient to eliminate cash-flow borrowing and unexpected economic changes.
- Fund balances have been appropriated or reserved for repayment of outstanding debt.
- Necessary capital expenditures are appropriated from fund balance, or supported by debt that is backed by reserved fund balances.

Ms. Wilson stated that the latter three issues are being met, however, the County could not sustain a tax reduction at this time because of pending needs.

Executive Summary

Mr. Bradley reviewed the Overall Property Tax Rate chart as follows:

<u>Overall Property Tax Rate Detail</u>			
	FY01-02	FY02-03	Variance
Primary Rate	\$ 1.1832	\$ 1.2108	\$ 0.0276
Debt Service	0.0876	0.0800	-0.0076
Flood Control District	0.2319	0.2119	-0.0200
Library District	0.0421	0.0421	0.0000
Net Change	\$ 1.5448	\$ 1.5448	\$ 0.0000

Ms. Wilson and Mr. Bradley reviewed property tax impacts for three regions in the Phoenix metropolitan area. The County Assessor adjusts existing home values every other year, therefore, 80% of property values will be held flat for FY2002-2003. With a flat combined tax rate, most homeowners would not observe an increase in County-controlled property taxes.

PUBLIC HEARING: TRUTH-IN-TAXATION

Item: The Maricopa County Board of Supervisors convened a Truth-in-Taxation hearing pursuant to ARS §42-17107, in conjunction with the hearing per ARS §42-17104, to hear taxpayers in favor of or against the proposed tax levy increase of \$10,261,272. (C49030018) (ADM1801)

Chairman Stapley invited members of the public to address the Board in support of or opposing the proposed tax levy increase.

Presiding Judge Colin Campell, representing the Maricopa County Superior and Justice Courts, expressed his support of keeping the property tax rate flat. Despite mid-year cost cuts this year, the Courts are expecting \$1.5 million in additional cuts next year, along with an increased demand for service as a result from the population growth.

Chief Deputy David Hendershott, representing the Maricopa County Sheriff's Office and speaking on behalf of Sheriff Joe Arpaio, stated that the Sheriff strongly encourages the Board to maintain the current

MARICOPA COUNTY BOARD OF SUPERVISORS MINUTE BOOK

**INFORMAL SESSION
July 22, 2002**

tax rate in order to preserve the current operational needs of the jails. He cited some critical needs that were not included in the FY2002-2003 budget, such as an increase in homicides (by 50% over the previous year), increase in patrol functions, and higher rates from vendors. Also, a cut in the current tax rate could create a crisis situation within the jails.

Merwin Grant, representing the Maricopa Integrated Health Systems (MIHS) Board of Directors, expressed his support for the maintenance of the current tax rate. The Maricopa Medical Center and clinic facilities are in dire need of basic improvements and Mr. Grant invited the Board to tour the hospital and facilities and view first-hand their needs.

William Brainard, M.D., spoke on behalf of the Maricopa County Board of Health and stated that he supports the maintenance of the current tax rate. Dr. Brainard cited an article in the July 22nd edition of the *Arizona Republic* about the alarming rate of increase in sexually transmitted diseases in Maricopa County as evidence of the growing public health needs of the County and the need to maintain funding.

~ Supervisor Brock entered the meeting. ~

Alan Stephens, executive director of the County Supervisors Association, remarked that recent legislative actions shifting costs to the county level have negatively impacted Maricopa County's budget. He also cited the ALTCS agreement as having a detrimental effect to the County now that the State had reneged on the original plan to assist with annual costs. Stating these reasons, Mr. Stephens was in favor of maintaining the tax rate.

Mr. Sal DiCiccio, a Maricopa County resident, came before the Board to express a different perspective on the issues cited by the economist, Elliot Pollack. Citing the a slowed economic recovery, high unemployment, and weakened manufacturing and tourism industries, Mr. DiCiccio felt that this is the wrong time to raise taxes and opposes a primary tax rate increase.

Maricopa County Attorney Rick Romley expressed his support of a flat tax rate. With an increase in homicides in Maricopa County and the need to proactively address terrorism issues, adequate funding is necessary to provide services. Also, recent Supreme Court decisions will have significant impacts on resources for the offices of the County Attorney, Public Defender, Medical Examiner and the courts.

ACTION: PRIMARY TAX LEVY INCREASE

Following the public comments, motion was made by Supervisor Kunasek and seconded by Supervisor Wilson to approve the proposed primary tax levy increase of \$10,261,272, and direct the Clerk of the Board to mail a copy of the Truth-in-Taxation notice, a statement of its publication, and the result of the governing body's vote to the Property Tax Oversight Commission within three days of this hearing pursuant to A.R.S. §42-17107(A)(5). (C49030018) (ADM1801)

The motion carried by a majority (4-1) on a roll call vote with Supervisors Stapley, Kunasek, Wilson and Wilcox voting "aye" and Supervisor Brock voting "no".

MEETING RECESSED

The Board of Supervisors recessed the meeting to convene as Special District Boards of Directors for public hearings to address posted agenda items.

MARICOPA COUNTY BOARD OF SUPERVISORS MINUTE BOOK

**INFORMAL SESSION
July 22, 2002**

MEETING RECONVENED

Chairman Stapley reconvened the Maricopa County Board of Supervisors.

MEETING ADJOURNED

There being no further business to come before the Board, the meeting was adjourned.

Don Stapley, Chairman of the
Board

ATTEST:

Fran McCarroll, Clerk of the Board